

NO
2

CENTRAL INTELLIGENCE AGENCY
National Foreign Assessment Center
20 August 1978

INTELLIGENCE MEMORANDUM

Expansion of the Cuban Nickel Industry

Summary

The Cuban nickel industry has embarked on significant expansion program that is scheduled to nearly triple annual capacity to 108,000 tons by the mid-1980s. The expansion is being financed by the USSR and CEMA, which will in turn receive half of the expanded output as repayment. The USSR, which has only limited expertise in lateritic ore processing, has expressed an interest in purchasing \$30 million to \$50 million worth of such equipment from a US subsidiary in Europe.

We believe that Havana would view a US decision to license the sale as a positive step in the Cuba-US normalization process, but it would not necessarily reciprocate. Havana might well view such a decision, unless coincidental with a Cuban troop withdrawal from Africa, as a departure from the present US policy of linking any improvement in US-Cuban relations to a reduction in Cuban military involvement in Africa. A US decision not to license the proposed sale, on the other hand, would probably be viewed as consistent with present US policy and, in any case, would not significantly impair Cuban plans to develop the nickel industry.

This memorandum was prepared by the Cuba Analytic Center, Latin America Division, of the Office of Regional and Political Analysis. It was requested by the NSC Staffer for Latin America. Questions and comments may be addressed to [REDACTED]

25X1

25X1

RPM 78-10330

25X1

SECRET

Cuban Nickel Production

Cuban nickel production is currently about 36,000-38,000 metric tons per year, close to 100 percent of capacity. The "Comandante Rene Ramos Latour" processing plant at Nicaro produces about 18,000 tons of nickel in the form of nickel oxide (about 76% nickel and 0.9%-1.3% cobalt) and nickel sinter (90% nickel and 1.1%-1.6% cobalt). The "Comandante Pedro Sotro Alba" processing plant at Moa Bay produces about 19,000 tons of nickel sulfides (55% nickel and 4.5% cobalt).

Since Cuba has no nickel refining capability, its entire output of ore is exported. All of Cuba's nickel sulfide is exported to the USSR at a price equivalent to about \$6500 per ton. About 10,000 tons of nickel oxide/sinter are sold to Western countries under medium- and long-term contracts at a current price of about \$4,400 per ton. The remaining nickel oxide/sinter is either sold to Eastern Europe or the West on a spot basis, or is stockpiled. The recent worldwide slump in steel production has reportedly dampened demand for Cuban nickel oxide/sinter and has led to an increase in stocks.

In 1973 Havana concluded an agreement with Moscow to modernize and expand the Nicaro and Moa Bay plants and to build two new plants in the Moa area in north-eastern Cuba--Punta Gorda and CAME I. Cuba's nickel reserves are estimated to be 350 million tons--among the largest in the world. The expansion of the Nicaro and Moa Bay plants is already underway and is scheduled to be completed by 1980, when annual capacity will total 22,500 tons and 24,000 tons, respectively, increasing Cuba's overall capacity to 46,000 tons. The Soviet-financed Punta Gorda plant, now scheduled to be completed in 1983 instead of 1980, will add 30,000 tons to Cuba's capacity in increments of 10,000 tons per year in 1981, 1982, and 1983. The CEMA-financed CAME I plant will add another 30,000 tons when completed; it is presently scheduled to come on stream in 1985, but Cuba may have difficulty meeting this schedule, given the delays already incurred with the Punta Gorda plant. A second CEMA-financed plant, CAME II with a 30,000-ton annual capacity, is under consideration with tentative completion set for the late 1980s.

Approved For Release 2006/05/24 : CIA-RDP80T00634A000400010002-0

The expansion of the Nicaro and Moa Bay plants and the construction of the Punta Gorda plant will be financed by a \$375 million Soviet credit extended in 1973. The CEMA-financed CAME I plant is scheduled to cost in the neighborhood of \$300-\$400 million. As repayment for the Punta Gorda and CAME I plants, the Soviet and CEMA creditors will receive 50% of the annual production at prices above free market levels (the exact formula yet to be determined) and 2.5% interest on the amount of outstanding credits owed by Havana. The remaining 50% of output would be available for sale to the USSR and Eastern Europe under standard clearing agreements or to the free market.

The Punta Gorda and the CAME I plants will both be in Holguin province in eastern Cuba, where the bulk of Cuba's nickel reserves is located. Given the USSR's limited expertise in processing lateritic ores, the plants will produce nickel sinter/oxides using an atmospheric pressure leaching-with-ammonia process much the same as that used at Nicaro and based essentially on a US patent granted in 1924. Under this process, the lateritic ore--which contains 1.0%1.4% nickel, 0.1% cobalt, about 1.5% chromium, and 20%-50% iron--is mined by the open-cut method similar to strip mining and then shipped by truck and rail to the plant, where it is reduced and leached with an aerated ammoniacal-ammonium carbonate solution and calcined into nickel oxide/sinter for export.

The Cuban Reaction

The Soviet interest in procuring 24 furnances, worth some \$30 million to \$50 million, from a US-owned foreign subsidiary probably reflects Moscow's intention to continue the lateritic ore processing techniques already in use in Cuba. Utilizing techniques with which the Cubans are thoroughly familiar would greatly facilitate operations at the new plants, but the purchase from the US subsidiary is not crucial to the expansion plans since Moscow could obtain similar quality equipment from other Western countries at little or no additional cost.

A US decision to license the furnace sale would be seen in Havana as a positive step in the bilateral normalization process, but it would not necessarily guarantee a reciprocal gesture from the Castro government. We believe that Havana will reciprocate in significant fashion only when it is in its highest interest to do so,

Approved For Release 2006/05/24 : CIA-RDP80T00634A000400010002-0

Approved For Release 2006/05/24 : CIA-RDP80T00634A000400010002-0

which is clearly not the case in this instance because the furnaces are not crucial to Cuba's nickel development. In fact, a favorable decision, unless coincidental with at least a partial Cuban troop withdrawal from Africa, might be interpreted by Havana as a departure from the present US policy of linking any improvement in US-Cuban relations to a reduction in Cuban military involvement in Africa. Moreover, US participation, however, indirect, in the development of the Cuban nickel industry would not be ignored by our allies, particularly Japan, and would probably facilitate lagging Cuban nickel sales in the West.

A US decision not to license the proposed sale without a reduction in the Cuban military presence in Africa would probably be viewed by Havana as consistent with the US policy of "linkage" and by our allies as a continued indication of US resolve to take a firm line with the USSR and its Cuban ally.

Approved For Release 2006/05/24 : CIA-RDP80T00634A000400010002-0

25X1